

Exhibit A

**STATEMENT IS THE ONLY AUTHORIZED STATEMENT WITH RESPECT TO THE PLAN. NO OTHER REPRESENTATION REGARDING THE DEBTOR, ITS OPERATIONS, OR THE VALUE OF ITS PROPERTY HAS BEEN AUTHORIZED. YOU SHOULD RELY ONLY ON THE REPRESENTATIONS OR INDUCEMENTS CONTAINED HEREIN. YOU SHOULD REPORT ANY ADDITIONAL REPRESENTATIONS AND INDUCEMENTS TO THE COURT, COUNSEL FOR THE DEBTOR, OR THE UNITED STATES TRUSTEE.**

**THE COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION BY THE COURT AS TO THE MERITS OF THE PLAN, BUT MERELY CONFIRMS THAT THIS STATEMENT IS ADEQUATE TO PROVIDE THE INFORMATION NECESSARY FOR YOU TO MAKE AN INFORMED JUDGMENT WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.**

**THE INFORMATION CONTAINED IN THIS STATEMENT HAS NOT BEEN SUBJECT TO AUDIT. IT IS BASED ON RECORDS KEPT BY THE DEBTOR AND AVAILABLE TO THE DEBTOR. EVERY REASONABLE EFFORT HAS BEEN MADE TO PRESENT ACCURATE FIGURES. HOWEVER, A CERTIFIED AUDIT OF THE DEBTOR'S FINANCIAL RECORDS HAS NOT BEEN PERFORMED AND ALL CREDITORS PROCEED AT THEIR OWN RISK.**

**THIS DISCLOSURE STATEMENT PROVIDES INFORMATION ABOUT THE PLAN. ALTHOUGH THE DEBTOR BELIEVES THAT THE INFORMATION CONTAINED HEREIN IS ACCURATE, THE PROVISIONS OF THE PLAN CONTROL IF THERE IS ANY INCONSISTENCY BETWEEN THE PLAN AND THE INFORMATION CONTAINED HEREIN.**

## **II. Background**

### **A. Description and History of the Debtor and Its Business**

The Debtor is a Virginia corporation, providing behavioralhealth services in the Richmond and Tidewater areas and has multiple programs to assist young people with behavioral problems. It has been operating since 2011 and employs approximately 45 people, some of which are full-time and others are employed on a part-time basis.

The Debtor is owned by Lemar Bowers and run and managed by Mr. Bowers as well as several family members.

Civitas Health Services, Inc. is a mental and behavioral health organization founded in 2008 out of the life work of its owner, LeMar Bowers. Mr. Bowers began to provide community-based counseling services in the early 2000s as an (where when) and immediately found his professional passion. His love for underserved communities brought him to provide services in households, community centers, prisons, and places of worship. During his career, Mr. Bowers deployed a strategy of integrating a

holistic approach to treating patients. This approach consisted of assessing the entire eco-system of a client and involving all relevant parties in interest in the service model. While exercising a gift to counsel individuals, Mr Bowers developed a skillset to write policy and interpret regulatory standards relative to the behavioral health industry. He began to consult with and assist other providers with launching new agencies from 2004-2007. However, Mr. Bowers quickly learned that his passion for industry change and comprehensive service delivery was not shared by the industry generally. In 2006, LeMar reached his breaking point after the murder of one of his clients, "RP". Attempting to deploy his comprehensive approach, he quickly realized that the one size fit's all behavioral health system limited his ability to find the necessary support to mitigate the risk factors that led to RPs untimely death.

Consequently, LeMar started writing policy and procedures in 2008 and in 2011 launched Civitas Health Services, Inc (fka The Center for Counseling and Community Affairs, LLC). Civitas would deploy his comprehensive approach by providing a broad range of training, workshops, and group counseling to individuals who also met medical necessity guidelines for therapeutic services. Civitas' service model immediately took hold and Civitas experienced exponential growth in its first two years of operations.

#### **1<sup>st</sup> major state payer system change, audits, .**

In the fall of 2013, the State of Virginia Medicaid system slowly began its first phase of transitioning to a managed care system. This phase involved the launch of Magellan of Virginia as the Behavioral Health Service Administrator (BHSA). One of the primary functions of the new BHSA was to facilitate reimbursements on behalf of the single Medicaid state agency, The Department of Medical Assistance Services (DMAS). At the onset of this transition, the reimbursement frequency slowed evident by an initial pause in payouts that lasted nearly a month and a half. Before this, Civitas was receiving payments for claims on a weekly basis. After an initial brief period of instability, Civitas was able to stabilize and continue its operations until the fall of 2015. During this period, Civitas experienced an unprecedented State audit records request. One such request featured a review that spanned two and a half years' of records.. Notwithstanding. Mr. Bowers developed a plan and began the process of reinvigorating the agency, and for a brief period within 2016 and 2018, the agency began to stabilize.

#### **2<sup>nd</sup> major state payer system change:**

#### **The impacts of the States final payer system change**

Effective January 1, 2018, Medicaid moved from contracting with Magellan of Virginia as their primary third-party payer to using six Managed Care Organizations (MCO) as part of the launch of the Commonwealth Coordinated Care Plus (CCC Plus) program. The six Managed Care Organizations are as follows:

1. Anthem Healthkeepers Plus
2. VA Premier
3. Aetna Better Health
4. United Health Care
5. Optima Family Care
6. Magellan Complete Care (a division of Magellan of Virginia)

### **CCC plus phase in:**

- I. On January 1, 2018, the first wave of patients crossed over into this system
- II. On March 1, 2018, the second wave of individuals crossed over into this system

In August of 2018 and September of 2018, a second MCO program launched known as the Medallion 4.0 program. This program is similar to the CCC Plus program and utilizes the same six MCOs that are listed above. Transition dates are as follows:

### **Medallion 4.0 phase on:**

- a. August 1, 2018 was the first wave (done by region) of members to switch over to the Medallion 4.0 program.
- b. September 1, 2018 was the second and final wave of individuals to convert to the Medallion 4.0 program.

Civitas experienced multiple payer system anomalies stemming from both MCO (Medallion and CCC plus) payer system changeovers. These changes resulted in significant disruptions in cash-flow that directly correlated with payer system failures and a lack of claim disbursements owed to Civitas. In response to this statewide system change, Mr. Bowers laid the groundwork for and instructed his team to build a scalable Electronics Health Records system (using X12 standards). This system would provide the agency with the ability to track the ebbs and flows of the business from end to end. The first phase prompted the implementation of a billing and claims tracking system.

Additionally, Civitas increased its telehealth capabilities during this process to promote maximum efficiency of operations. The second phase encompassed system integration with existing technology (e.g., email server, office 365, Microsoft teams, existing open API software, etc.). A server was purchased, development of EDI relationships with each payer, and in mid-2018, the system launched. The system is currently working efficiently and there are marked improvements in Civitas' ability to recover claims and track business performance across all departments.

### **Contract terminations "without cause"**

In the summer of 2019, shortly after the successful launch of the X12 platform, Civitas received notification from two of its major payers that they were terminating their contracts with Civitas utilizing a "Without Cause" provisions in the contracts. These terminations would affect the CMHRS (Community Mental Health and Rehabilitation Services) lines of business, which houses four of our community-based programs. These programs are as follows: Therapeutic Day Treatment (after school), Intensive In-home services, Mental Health Skill Building Services, and Multi-Systemic Behavioral Therapy. Civitas maintained relationships with four other payers for this service line. The following services provided by Civitas health Services were unaffected:

1. Psychiatric Outpatient Services
2. Substance Abuse Intensive Outpatient (adolescent and adult)
3. Substance Abuse Outpatient, and

4. ABA Therapy through our commercial insurance and Tricare line

In all, Civitas deploys six programs through a wide range of insurers, including Optima Health, Aetna Better Health, Aetna Commercial, Medicare, Tricare, Virginia Premier, United Health (Medicaid), United Health Commercial, Anthem (Medicaid), and Cigna. In the weeks leading to Civitas' Chap 11 filing, Mr. Bowers developed a plan to mitigate damage that could arise from the "without cause" termination. The plan included the following:

- A. Gathering data to determine how many providers were affected
- B. Working with these providers to implement a collective plan
- C. Conducting four town hall sessions to inform consumers of these adverse actions
- D. Conducting meetings with legislators to push for an agenda favorable to protecting the interest of marginalized populations receiving our care; individuals who were disproportionately affected by these terminations.
- E. Producing video testimonials from impacted consumers and providers
- F. Initiated a statewide lawsuit to challenge the legal authority of MCO's to cancel contracts without cause.
- G. Assist affected individuals with transferring to in-network MCO's to continue receiving services from Civitas.

Most notably, Civitas has taken up the mantle in leading the industry through the implementation of new innovative technologies, forecasting, tracking, and the use of hardware/software platforms. The ability to experience sustainable organic growth during the COVID-19 outbreak the Debtor' ability to adapt and persevere in a challenging environment for the foreseeable future. Accordingly, we are confident in our ability to reorganize and meet the future obligations and opportunities presented to us through this reemerging opportunity.

## **B. Management of the Debtor Before and During the Case**

Mr. Bowers is the Chief Executive Officer of the Debtor. In addition Mrs. Bowers as well as several family members have and will continue to assist in the management of the Debtor. Following Confirmation, the ownership and management of the Debtor will continue in the same fashion. Salary of insiders are as follows;

## **C. Current and Historical Financial Conditions**

This case is unusual due to the very high level of priority claims. Filed priority claims equal \$830, 601, and secured claims of \$265,000. These claims are largely owed to taxing authorities for payroll taxes but include, personal property taxes and business license taxes, as well as unpaid insurance premiums.

## **D. Events Leading to Chapter 11 Filing**

Because of the loss of income pre-petition following the changes to reimbursement protocols described above, the Debtor began to have trouble in maintaining its obligations in a timely fashion., including payments to the taxing authorities. Although it had attempted to address the financial problems outside of bankruptcy, such attempts were unsuccessful and lawsuits were initiated against the Debtor by various creditors.

Given its decrease in income, failure to timely pay obligations to creditors, including and its increasing tax obligations, the Debtor determined it would make the most economic sense to file for chapter 11 relief and deal with all of its financial issues at one time rather than trying to address them piecemeal outside of the bankruptcy forum.

## **E. Assets**

### **1. Real Estate**

The Debtor owns no real estate and owned no real estate as of the Petition Date.

### **2. Personalty**

The Debtor owned the following personal property as of the Petition Date:

<u><b>Asset/Description</b></u>	<u><b>Estimated Value</b></u>
Bank Accounts	\$36,687